

RESOLUTION NO. 60-86

RESOLUTION ORDERING THE SALE OF \$1,800,000 PRINCIPAL AMOUNT OF KAYENTA UNIFIED SCHOOL DISTRICT NO. 27 OF NAVAJO COUNTY, ARIZONA, SCHOOL IMPROVEMENT BONDS, PROJECT OF 1986, SERIES A (1986).

WHEREAS, a request has been received from the Governing Board of Kayenta Unified School District No. 27 of Navajo County, Arizona, requesting the Board of Supervisors to order the sale of bonds of the District in the principal amount of \$1,800,000 as part of an issue authorized at an election held within the District on May 20, 1986;

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF NAVAJO COUNTY, ARIZONA, AS FOLLOWS:

Section 1. The Board of Supervisors hereby orders the sale of Kayenta Unified School District No. 27 of Navajo County, Arizona, School Improvement Bonds, Project of 1986, Series A (1986) (the "Bonds") in the principal amount of \$1,800,000. The Bonds are to be sold by inviting proposals to be received on July 29, 1986.

Section 2. The Clerk is hereby directed to cause a Notice Inviting Proposals for the Purchase of Bonds to be executed and transmitted to Young, Smith & Peacock, Inc., financial consultant to the District, to be included in an official statement and circulated so as to be made known to potential bidders for the Bonds. Such Notice shall be in substantially the form attached hereto, with such additions, deletions and variations as shall be deemed advisable. The District's financial consultant is ordered and directed to compose and circulate such official statement on behalf of the District.

PASSED AND ADOPTED on July 22, 1986.

ATTEST:

Sharon J. Heene
Clerk

Bob Ramsey
Chairman

NOTICE INVITING PROPOSALS FOR THE PURCHASE OF BONDS

NOTICE IS HEREBY GIVEN that sealed, unconditional proposals will be received to and including the hour of 11:00 a.m., Mountain Standard Time (ARIZONA IS EXEMPT FROM DAYLIGHT SAVINGS TIME), on July 29, 1986, at the Office of the Clerk of the Board of Supervisors of Navajo County at Holbrook, Arizona, at which time the Board of Supervisors of Navajo County will meet for the purpose of considering bids received and, if an acceptable bid is received, awarding the contract for the purchase of all, but not less than all, of \$1,800,000 principal amount of Kayenta Unified School District No. 27 of Navajo County, Arizona, School Improvement Bonds, Project of 1986, Series A (1986) (the "Bonds"), to be dated July 1, 1986 upon initial issuance, to bear interest from the date of the Bonds to the maturity of each of the Bonds at a rate or rates per annum of not to exceed 12%, interest payable on January 1, 1987, and semiannually thereafter on July 1 and January 1 of each year during the term of each of the Bonds, Bonds to mature on July 1 in the years 1989 to 1996 inclusive, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1989	\$ 200,000	1993	\$ 250,000
1990	200,000	1994	250,000
1991	200,000	1995	250,000
1992	200,000	1996	250,000

PURPOSE: The Bonds are being issued for the purpose of making school improvements in the District.

OPTIONAL REDEMPTION: Bonds maturing on or before July 1, 1991, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 1992, are subject to call for redemption prior to maturity, in whole or in part, on July 1, 1991, or on any interest payment date thereafter by the payment of the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption plus a premium payable from any source lawfully available therefor, the premium to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1, 1991 and January 1, 1992	2%
July 1, 1992 and January 1, 1993	1-1/2%
July 1, 1993 and January 1, 1994	1%
July 1, 1994 and January 1, 1995	1/2 of 1%
and thereafter without premium.	

NOTICE OF REDEMPTION: Notice of redemption of any Bond will be mailed not more than 60 nor less than 30 days

prior to the date set for redemption to the registered holder of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the registrar.

FORM AND DENOMINATIONS: The Bonds will be issued only in registered form as to both principal and interest, in the denomination of \$5,000 or integral multiples thereof.

The initial purchaser must accept one fully registered Bond for all amounts in each maturity for which names and addresses of the initial retail owners of the Bonds were not provided to the registrar at least seven (7) days prior to closing.

REGISTRATION AND TRANSFER: The Bonds will be transferable only upon the bond register maintained by the registrar upon surrender of the Bond or Bonds to be transferred to the registrar together with an appropriate instrument of transfer executed by the transferor. The registrar will be a bank or trust company to be named at or before the time bids for the Bonds are to be received. The transferor will be responsible for all taxes, fees and costs relating to the transfer of ownership of individual Bonds.

PAYMENT OF BONDS: Interest on the Bonds shall be payable by check drawn upon the paying agent and mailed at or prior to the interest payment date to the registered holders of such Bonds at the addresses of such holders as they appear on the books of the registrar on the 15th day of the month preceding the date such interest comes due. Principal of the Bonds shall be paid when due upon surrender of such Bonds at the principal office of the paying agent.

SECURITY: Principal of and interest on the Bonds are payable from an ad valorem tax levied against all of the taxable property in the District. The Bonds being issued are payable from such a tax without limit of rate or amount.

INTEREST RATES: Bids for the purchase of the Bonds must state the rate or rates of interest to be paid and no bid at a price less than the par value of the Bonds, together with all accrued interest thereon at the date of delivery of the bonds, will be considered. All Bonds of the same maturity must bear the same rate of interest. The highest rate bid shall not exceed the lowest rate by more than 3% per annum. Interest will be calculated on the basis of 360 days per year or twelve 30-day months.

Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional

cents. No fractional cents will be paid or accumulated for payment on any Bond.

FORM OF BID AND BID CHECK: A prescribed form of bid for the Bonds will be prepared and all bids must be submitted on that form. All bids must be accompanied by a certified check in a sum equal to two percent of the par value of the Bonds, drawn on a bank doing business in the State of Arizona, payable to the order of the County Treasurer. No interest will be paid on the check of any bidder. The check of the successful bidder will be applied to the purchase price of the Bonds or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the Bonds immediately upon their issuance. All checks of the unsuccessful bidders will be returned upon the award of the Bonds to the successful bidder.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be placed on the Bonds, but neither failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Bond or of the contract evidenced thereby.

RIGHT OF REJECTION: The Board of Supervisors reserves the right in its discretion to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

COST OF BOND FORMS: The District will bear the cost of the printing of the Bonds and will furnish fully executed Bonds, registered in the name of the purchaser or nominees, to the purchaser upon payment therefor.

AWARD AND DELIVERY: Unless all bids are rejected, the Bonds will be awarded to the bidder whose proposal results in the lowest net interest cost to the District. The net interest cost will be determined by computing the aggregate amount of interest payable on the Bonds from their date to their respective maturities and by deducting therefrom any premium. Delivery of the Bonds will be made to the purchaser upon payment in Federal or immediately available funds at the offices of Gust, Rosenfeld, Divelbess & Henderson, Phoenix, Arizona, or, at the purchaser's request and expense, at any other place mutually agreeable to both the District and the purchaser.

LEGAL OPINION: The Bonds are sold with the understanding that the District will furnish the purchaser with the approving opinion of Gust, Rosenfeld, Divelbess & Henderson of Phoenix, Arizona. Bond Counsel's opinion will state: "All the taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit of rate or amount. Such taxes are enforceable as are all other Arizona ad valorem taxes levied for county and school district purposes; however, we express no opinion as to the effect upon such enforceability within the boundaries of the Navajo Indian Reservation of taxes sought to be imposed by the Navajo Tribe." An undated copy of such opinion will be printed on the reverse side of each Bond. Said attorneys have been retained by the District as Bond Counsel and in such capacity are to render their opinion only upon the legality of the Bonds under Arizona law and on the exemption of the interest income on such Bonds from Federal and State of Arizona income taxes. Fees of Bond Counsel will be paid from Bond proceeds.

TAX EXEMPT STATUS: In the opinion of Bond Counsel, interest on the Bonds is exempt from taxation under existing federal income tax laws and State of Arizona income tax laws. Should changes in the law cause Bond Counsel's opinion to change prior to delivery of the Bonds to the purchaser, the purchaser will be relieved of his responsibility to pick up and pay for the Bonds, and in that event his bid check will be returned.

SUPPLEMENTAL OPINION: The United States House of Representatives has passed and sent to the Senate the Tax Reform Act of 1985 (the "Bill"), which if enacted into law in its present form will apply retroactive conditions on the tax exempt status of the Bonds offered herein. Therefore, if the Bill becomes law, interest on the Bonds would become subject to income taxes retroactively to the date of issuance if the terms and conditions set forth in the Bill were not satisfied.

Bond Counsel will issue the bond opinion at closing printed herein and will also issue a supplemental opinion indicating:

We have on this date rendered to you our final approving opinion regarding the above-referenced bonds (the "Bonds"). You have requested that we express our opinion with respect to the effect upon the Bonds of H. R. 3838, as passed by the United States House of Representatives on December 17, 1985

(in the form so passed, the "Bill").

We have reviewed that certain joint statement made on March 14, 1986, by Chairman Dan Rostenkowski, D-Ill., House Committee on Ways and Means, Chairman Bob Packwood, R-Ore., Senate Committee on Finance, Rep. John J. Duncan, member of the Committee on Ways and Means, Sen. Russell Long, ranking member of the Committee on Finance and Secretary of the Treasury James A. Baker, III with respect to the effective dates of certain provisions of the Bill. We have concluded that the Bonds are the type of bonds described in the joint statement for which the general effective date of H.R. 3838 is to be changed to 'September 1, 1986 (or the date of enactment of tax reform legislation, if earlier)'. We thus advise you that the provisions and restrictions of H.R. 3838 listed in the joint statement will not apply to the Bonds if, prior to its enactment, H.R. 3838 is amended in the manner described in the joint statement; however, if not so amended and if H.R. 3838 is adopted in its present form, interest on the bonds may become subject to federal income taxes.

Under the Bill, property and casualty insurance companies would be subject to a minimum tax for tax years beginning in 1988 which would be determined with reference to certain income items including interest on obligations such as the Bonds, and the deductions for federal income tax purposes of certain financial institutions owning obligations such as the Bonds would be affected.

We further advise you that the United States Senate has also adopted its comprehensive version of H.R. 3838 (the "Senate Version"), including proposals relating to tax-exempt obligations that differ significantly in a number of respects from the provisions of the House version of the Bill. The Senate Version generally would not apply to obligations issued prior to the date of enactment and therefore would not apply to the Bonds. However, for taxable years beginning after 1986, the Senate Version would treat as an item of tax preference of a

corporation, subject to a 20 percent alternative minimum tax, one-half of reported profits of the corporation not otherwise included in the corporation's minimum tax base. Such reported profits would include interest on obligations otherwise exempt from federal income tax, regardless of when issued, and therefore would include interest on the Bonds. Except for this preference item, under the Senate Version interest on obligations such as the Bonds would not be taken into account as a preference item for purposes of the alternative minimum tax generally applicable to individuals and corporations.

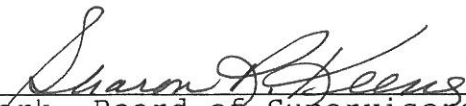
It cannot be known what the eventual form of H.R. 3838 will be or to what extent it may affect the taxation of the interest income on the Bonds, or whether or to what extent the final effective date would make any provisions applicable to the Bonds or adversely affect the status of interest on the Bonds for federal income tax purposes.

The Bonds do not provide for any increase in interest payments or mandatory redemption as a consequence of interest on the Bonds becoming subject to federal income taxes.

NO LITIGATION AND NON-ARBITRAGE: The District will deliver a certificate to the effect that no litigation is pending affecting the issuance and sale of the Bonds. The District will also deliver an arbitrage certificate covering its reasonable expectations concerning the Bonds.

ADDITIONAL INFORMATION: Copies of this Notice and the official statement relating to the Bonds will be furnished to any bidder upon request made to the Clerk of the Board of Supervisors of Navajo County, Arizona; or to Young, Smith & Peacock, Inc., 3443 North Central Avenue, Phoenix, Arizona 85012, telephone (602) 264-8800; Financial Consultant to the District.

DATED: July 22, 1986.


Clerk, Board of Supervisors of
Navajo County, Arizona